

# **CORRECTED FISCAL NOTE**

## **HB 2475 – SB 2706**

February 24, 2006

**SUMMARY OF BILL:** Increases the state's single maximum exemption level for inheritance tax by \$100,000 per year beginning in calendar year 2007 up to the maximum exclusion amount established for federal estate taxation purposes (identified in the Economic Growth and Tax Relief Reconciliation Act of 2001 or [EGTRRA]).

### **ESTIMATED FISCAL IMPACT:**

On February 13, 2003, we issued a fiscal note indicating state revenue decreases of \$5.1 million, \$7.9 million, and \$9.9 million for fiscal years 2007-2008 through 2009-2010 respectively. In addition, a one-time increase in state expenditures was estimated at \$8,250. Further, exemption levels for tax years 2010 and beyond were addressed in the "Other Fiscal Impact" portion of the fiscal note. Based on additional information, the estimated fiscal impact of this bill is:

#### **(CORRECTED)**

**Decrease State Revenues - \$1,600,000 FY06-07**

**\$5,100,000 FY07-08**

**\$7,900,000 FY08-09**

**\$9,900,000 FY09-10**

**\$31,200,000 FY10-11 and thereafter**

**Increase State Expenditures - \$8,250 One-Time**

#### **Assumptions:**

- This bill proposes increasing the state's single maximum exemption levels for inheritance tax by \$100,000 per year up to the maximum exclusion amount established for federal estate taxation purposes.
- Under EGTRRA, federal estate taxes will be repealed for calendar year 2010.
- Provisions of EGTRRA will no longer be effective on January 1, 2011 and the federal estate tax structure will revert to the structure that existed in calendar year 2001.
- Current state law allows filing extensions up to nine (9) months from decedent's death.
- Inheritance tax revenues are collected in the fiscal year subsequent to decedent's death due to filing extension period.

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**(CORRECTED)**

- Inheritance tax is permanently repealed beginning with tax year 2010.
- This act shall take effect July 1, 2006.
- According to the Department of Revenue, increasing the state's single maximum exemption by \$100,000 per year, up to the maximum exclusion amount established for federal estate taxation purposes, will cause state revenues to decrease by approximately \$1.6 million, \$5.1 million, \$7.9 million, and \$9.9 million for FY06-07, FY07-08, FY08-09, and FY09-10 respectively. In FY10-11 and each fiscal year thereafter, state revenues are estimated to decrease by approximately \$31.2 million.
- Software modifications required in the DOR to implement the provisions of this proposed legislation is estimated as a one-time state expenditure of \$8,250.
- This proposed legislation does not apply to generation-skipping transfers after December 31, 2009 or to the estates of decedents dying after December 31, 2009.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly distinguishable.

James W. White, Executive Director